Bearspaw Group of Companies

Combined Financial Statements

March 31, 2023

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Independent Auditors' Report

To the shareholder of Bearspaw Group of Companies

Opinion
We have audited the combined financial statements of Bearspaw Group of Companies, which comprise the combined balance sheet as at March 31, 2023, and the combined statements of income, retained earnings and cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the entity as at March 31, 2023, and the combined results of its operations and its combined cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements
Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Financial Statements
Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report (continued)

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Crowe MacKay LLP

Edmonton, Canada
November 22, 2023

Chartered Professional Accountants

Bearspaw Group of Companies

Combined Statement of Income

For the year ended March 31,	2023	2022
Sales	**$ 44,405,775**	$ 33,370,099
Cost of sales	**37,977,122**	29,736,422
Gross margin	**6,428,653**	3,633,677
Expenses		
Advertising and promotion	**34,100**	31,126
Amortization	**865,232**	740,075
Bad debts (recovered)	**(16,944)**	19,530
Cleaning supplies	**8,560**	63,883
Contract service	**182,426**	219,332
Donations	**-**	50,501
Equipment rental	**172,302**	41,501
Insurance	**98,481**	36,229
Interest and bank charges	**115,080**	62,088
Interest on long-term debt	**37,329**	5,714
Memberships	**138,995**	24,913
Miscellaneous	**7,529**	2,017
Office	**42,796**	16,856
Professional fees	**87,254**	53,530
Rent	**37,630**	6,272
Repairs and maintenance	**215,238**	150,081
Royalties	**43,980**	27,662
Salaries and related benefits	**2,306,164**	1,805,209
Supplies	**111,982**	32,410
Travel	**46,834**	32,943
Utilities	**265,943**	181,276
	4,800,911	3,603,148
Income before other items	**1,627,742**	30,529
Other income (expense)		
Gain on sale of property and equipment	**15,140**	-
Loss on foreign exchange	**(913)**	-
Other income	**809,319**	652,723
Amortization of deferred revenue	**113,332**	113,332
	936,878	766,055
Net income	**$ 2,564,620**	$ 796,584

Bearspaw Group of Companies

Combined Statement of Retained Earnings

For the year ended March 31,	2023	2022
Retained earnings, beginning of year	$ 9,223,680	$ 8,427,096
Net income	2,564,620	796,584
Retained earnings, end of year	$ 11,788,300	$ 9,223,680

Bearspaw Group of Companies

Combined Balance Sheet

March 31,	2023	2022
Assets		
Current		
Cash	**$ 1,696,664**	$ 2,468,781
Term deposits (note 3)	**2,770,000**	-
Accounts receivable (note 4)	**1,780,470**	1,051,372
Inventory (note 5)	**956,606**	770,020
Prepaid expenses	**50,242**	40,884
	7,253,982	4,331,057
Due from related parties (note 6)	**944,482**	420,844
Property and equipment (note 7)	**10,161,551**	10,742,562
	$ 18,360,015	$ 15,494,463
Liabilities		
Current		
Accounts payable and accrued liabilities (note 8)	**$ 858,836**	$ 756,844
Unearned revenue	**20,426**	39,195
Loan payable (note 9)	**326,677**	359,797
Current portion of long-term debt (note 11)	**141,630**	163,952
Current portion of capital lease obligation	**-**	12,821
	1,347,569	1,332,609
Due to related parties (note 6)	**334,005**	342,105
Advances to related entity (note 10)	**237,977**	124,389
Long-term debt (note 11)	**222,241**	365,091
Deferred grants (note 12)	**2,672,419**	2,349,085
	4,814,211	4,513,279
Shareholder's equity		
Share capital	**100**	100
Contributed surplus (note 13)	**1,757,404**	1,757,404
Retained earnings	**11,788,300**	9,223,680
	13,545,804	10,981,184
	$ 18,360,015	$ 15,494,463

Approved on behalf of the Board:

____________________ Director

Bearspaw Group of Companies

Combined Statement of Cash Flows

For the year ended March 31,	2023	2022
Cash provided by (used for)		
Operating activities		
Net income	**$ 2,564,620**	$ 796,584
Items not affecting cash		
Amortization	**865,232**	740,075
Gain on sale of property and equipment	**(15,140)**	-
	3,414,712	1,536,659
Change in non-cash working capital items		
Accounts receivable	**(729,098)**	(605,289)
Inventory	**(186,586)**	(117,048)
Prepaid expenses	**(9,358)**	(33,384)
Accounts payable and accrued liabilities	**101,992**	173,873
Unearned revenue	**(18,769)**	39,195
Loan payable	**(33,120)**	(38,933)
	2,539,773	955,073
Financing activities		
Repayment of long-term debt	**(165,172)**	-
Proceeds of long-term debt	**-**	529,043
Proceeds (repayment) of capital lease obligation	**(12,821)**	12,821
Deferred grants	**323,334**	(178,050)
	145,341	363,814
Investing activities		
Advances to related party	**(531,738)**	(280,046)
Purchase of property and equipment	**(292,211)**	(4,220,980)
Proceeds on disposal of property and equipment	**23,130**	-
Investment in Stoney Nakoda Telecom	**113,588**	(54,348)
Contributed Surplus from Bearspaw Settlement Trust	**-**	1,757,404
	(687,231)	(2,797,970)
Increase (decrease) in cash	**1,997,883**	(1,479,083)
Cash, beginning of year	**2,468,781**	3,947,864
Cash, end of year	**$ 4,466,664**	$ 2,468,781
Cash consists of:		
Cash	**$ 1,696,664**	$ 2,468,781
Term deposits	**2,770,000**	-
	$ 4,466,664	$ 2,468,781

1. Nature of operations

Bearspaw Group of Companies financial statements include the assets, liabilities and results of operations for the following entities:

Bearspaw Service Center
Bearspaw Kananaskis Travel Cente
Bearspaw Subway
Bearspaw First Nation Development Corporation
Stoney Nakoda Telecom Inc.
Bearspaw Telecom Limited Partnership

Enterprises accounted for by the equity basis include:
Stoney Nakoda Telecom

Under the equity method of accounting, only Bearspaw First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Bearspaw Group of Companies. Inter-entity transactions and balances are not eliminated, except for any profit or loss on sale of assets that remain within the Entity.

2. Significant accounting policies

These combined financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The significant accounting policies are detailed as follows:

(a) Revenue recognition

Fuel, confection and tobacco revenue are recognized at the point of sale.

Revenue for telecom services are recognized as the service is completed.

Income from investments is recorded on the accrual basis.

Other income is recognized when earned and collection is reasonably assured.

(b) Cash equivalents

Cash and cash equivalents includes cash on hand and balances in bank accounts, net of bank overdrafts.

(c) Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs. The costs of purchase comprise the purchase price, import duties, non-recoverable taxes and transport, handling and other costs directly attributable to the acquisition and inbound delivery of the inventory. Costs are determined using the first-in, first-out method.

2. Significant accounting policies (continued)

(d) Investments

The equity method is used to account for the entity's investment in associated corporations, namely net assets. This method of accounting brings into combined earnings, the entity's share in earnings of the associated corporation, which is also added to the carrying value of the investment. The excess of cost over the underlying share of equity in the investment since the date of acquisition is being amortized against the entity's share of earnings of the associated corporation.

(e) Property and equipment

Property and equipment are recorded at cost. The entity provides for amortization using the straight-line method at rates designed to amortize the cost of the assets over their estimated useful lives, as set out below.

When property and equipment are sold or retired, the related cost and accumulated amortization are removed from the accounts and any gain or loss is charged against earnings in the period.

Property and equipment acquired or constructed during the year are not amortized until they are put into use.

One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

Buildings	10-20 years	Straight-line
Equipment	5-10 years	Straight-line
Vehicles	3-4 years	Straight-line
Office equipment	7 years	Straight-line
Leasehold improvements	7 years	Straight-line
Asset under capital lease	5 years	Straight-line

(f) Impairment of long-lived assets

The carrying value of long-lived assets is reviewed for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the entity uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(g) Deferred grants

Grants pertaining to the construction of buildings and purchase of capital assets are deferred and amortized at the same rate as the respective assets.

2. Significant accounting policies (continued)

(h) Financial instruments

Initial measurement
Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

Financial assets or liabilities originated or exchanged in related party transactions except for those that involve parties whose sole relationship with the entity is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If the instrument does, the cost is determined using the instruments undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise cost is determined using the consideration transferred or received by the entity in the transaction.

Transactions, with parties whose sole relationship with the entity is in the capacity of management, are accounted for as arm’s length transactions.

Subsequent measurement
The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in debt instruments, equity instruments and forward exchange contracts that are quoted in an active market, which are measured at fair value without any adjustment for transaction costs. Changes in fair value are recognized in net income in the period in which they occur.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable. Amounts due from related parties are measured at cost.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, loan payable and long-term debt. Amounts due to related parties are measured at cost.

Transaction costs
Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs for financial instruments originated or exchanged in an arm’s length transaction that are subsequently measured at amortized cost are recognized in the original cost of the instrument and recognized in income over the life of the instrument using the straight-line method.

2. Significant accounting policies (continued)

Impairment

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

(i) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprise requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year.

3. Term deposits

Term deposit investments includes guaranteed investment certificates totaling $2,770,000 and consists of the following:

Term deposit invested on February 2, 2023 and matures on April 1, 2023 bearing interest at 5.25% per annum.	**$ 250,000**
Term deposit invested on March 23, 2023 and matures on May 23, 2023 bearing interest at 5.15% per annum.	**600,000**
Term deposit invested on January 31, 2023 and matures on April 3, 2023 bearing interest at 5.25% per annum.	**350,000**
Term deposit invested on March 23, 2023 and matures on May, 23, 2023 bearing interest at 5.15% per annum.	**800,000**
Term deposit invested on March 23, 2023 and matures on May, 23, 2023 bearing interest at 5.15% per annum.	**270,000**
Term deposit invested on March 31, 2023 and matures on May 30, 2023 bearing interest at 5.10% per annum.	**500,000**
	$ 2,770,000

4. Accounts receivable

	2023	2022
AITE Clearing	**$ 43,598**	$ 24,176
Sales Clearing	**663,289**	504,845
Other receivables	**600,000**	-
Customer Loans Receivable	**315,206**	379,585
Government remittance	**158,377**	142,766
	$ 1,780,470	$ 1,051,372

5. Inventory

	2023	2022
Fuel	**$ 298,075**	$ 313,300
Tobacco	**341,597**	205,904
Confectionary	**257,438**	193,163
Telecom parts	**59,496**	57,653
	$ 956,606	$ 770,020

The amount of inventory expensed through cost of sales during the year was $37,977,122 (2022 - $29,736,422). The entity evaluates the amount of obsolete inventory on hand at the end of each fiscal year and records a new provision for obsolete inventory with a reversal of the prior fiscal year's allowance. The adjustments are recorded with offsets to cost of sales. No provision was deemed necessary at the end of either fiscal year.

6. Due from/to related parties

(a) During the year, the entities entered into transactions with related parties that are entities within the Bearspaw First Nation and Stoney Tribal Administration which is related through common management. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Due from related parties

	2023	2022
Stoney Nakoda Telecom	**$ -**	$ 408,487
Bearspaw First Nation	**944,482**	-
Tribal Common	**-**	12,357
	$ 944,482	$ 420,844

6. Due from/to related parties (continued)

(c) Due to related parties

	2023	2022
Stoney Nakoda Telecom	$ 108,066	$ -
Eden Valley Reserve	94,004	94,004
Bearspaw First Nation	-	86,353
Tribal Common	6,873	-
Nakoda Contracting	125,062	161,748
	$ 334,005	$ 342,105

7. Property and equipment

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	$ 8,441,848	$ 2,634,643	$ 5,807,205	$ 6,193,084
Equipment	8,008,757	3,686,053	4,322,704	4,479,606
Vehicles	217,868	197,358	20,510	37,291
Office equipment	12,426	7,295	5,131	3,931
Leasehold improvements	109,511	103,510	6,001	7,060
	16,790,410	6,628,859	10,161,551	10,720,972
Asset under capital lease	-	-	-	21,590
	$ 16,790,410	$ 6,628,859	$ 10,161,551	$ 10,742,562

8. Accounts payable and accrued liabilities

	2023	2022
Trade	$ 247,189	$ 323,239
Accrued liabilities	120,343	51,858
Purchases clearing	420,535	381,747
Related party	70,769	-
	$ 858,836	$ 756,844

9. Loan payable

In fiscal 2017, as part of the retail facilities agreement with Parkland Fuel Corporation, Bearspaw Kananaskis Travel Centre was extended a $450,000 forgivable loan. Under the terms of the agreement, the distributor will forgive an amount equal to $0.0072 per litre for every litre of Parkland fuel delivered to Bearspaw Kananaskis Travel Centre.

	2023	2022
Centrex forgivable loan	**$ -**	$ 160,000
Centrex amount forgiven	**-**	(160,000)
Parkland forgivable loan	**450,000**	450,000
Parkland amount forgiven	**(123,323)**	(90,203)
	$ 326,677	$ 359,797

10. Investment in Stoney Nakoda Telecom

Bearspaw First Nation holds a 50% interest in Stoney Nakoda Telecom. Stoney Nakoda Telecom is an unincorporated entity owned and operated by Bearspaw First Nation and Chiniki First Nation to provide telecommunications infrastructure and service to the Stoney First Nation.

	2023	2022
Investment in Stoney Nakoda Telecom, beginning of year	**$ (124,389)**	$ (178,737)
Investment (losses) earnings	**(77,721)**	54,348
Prior period adjustment	**(35,867)**	-
Investment in Stoney Nakoda Telecom, end of year	**$ (237,977)**	$ (124,389)

The following summary financial information represents 100% of the assets, liabilities, revenue and expenses of Stoney Nakoda Telecom and Bearspaw First Nation's 50% portion of Stoney Nakoda Telecom assets, liabilities, revenue and expenses.

10. Investment in Stoney Nakoda Telecom (continued)

	2023	50%	2022	50%
Assets				
Cash	$ 1,022,167	$ 511,083	$ 669,625	$ 334,813
Accounts receivable	102,822	51,411	94,674	47,337
Due from related party	2,661	1,331	7,717	3,858
Property and equipment	3,108,080	1,554,040	927,212	463,606
	4,235,730	2,117,865	1,699,228	849,614
Liabilities				
Accounts payable and accrued liabilities	1,114,294	557,147	114,896	57,448
Loans payable	643,584	321,792	621,820	310,910
Due to other related parties	643,242	321,621	966,291	483,145
Deferred government assistance	2,310,563	1,155,282	245,000	122,500
	4,711,683	2,355,842	1,948,007	974,003
	$ (475,953)	$ (237,977)	$ (248,779)	$ (124,389)

	2023	50% portion	2022	50% portion
Revenue				
Sales	$ 1,177,464	$ 588,732	$ 1,218,197	$ 609,099
Other income	98,000	49,000	98,000	49,000
	1,275,464	637,732	1,316,197	658,099
Expenses				
Advertising and Promotion	1,798	899	3,414	1,707
Amortization	290,789	145,394	266,133	133,066
Bad debts	3,753	1,877	14,813	7,407
Contract service	44,836	22,418	12,859	6,430
Insurance	11,259	5,630	10,479	5,239
Interest and bank charges	8,877	4,439	7,472	3,736
Interest on long-term debt	21,764	10,882	21,027	10,513
Professional fees	2,545	1,273	11,505	5,753
Rent	12,000	6,000	12,000	6,000
Supplies	20,114	10,057	12,272	6,136
Travel and automotive	32,155	16,077	29,085	14,542
Utilities	592,736	296,368	495,381	247,691
Wages and benefits	388,280	194,140	311,062	155,531
	1,430,906	715,454	1,207,502	603,751
	$ (155,442)	$ (77,722)	$ 108,695	$ 54,348

11. Long-term debt

		2023		2022
BDC loans payable bearing interest between 8.99-12.09% (2022 - 5.55-7.84%) repayable in blended monthly installments of $14,626 including interest, maturing June 2026.	**$**	**358,581**	$	497,201
Vehicle and equipment loans payable bearing interest at 6.24-6.34%, repayable in blended monthly installments of $1,027 including interest, maturing July 2023.		**5,290**		31,842
		363,871		529,043
Less current portion		**141,630**		163,952
	$	**222,241**	$	365,091

Estimated principal repayments are as follows:

2024	$	141,630
2025		110,300
2026		105,900
2027		6,041
	$	363,871

12. Deferred grants

Bearspaw Kananaskis Travel Centre, Bearspaw Service Centre and Bearspaw Subway deferred grants consists of subsidies for the construction of the building and the purchase of equipment. The amounts have been deferred and amortized on a straight-line basis over the same period (20 years and 5 years respectively) as the applicable asset.

		2023		2022
Bearspaw Kananaskis Travel Centre	**$**	**775,000**	$	825,001
Bearspaw Subway		**303,564**		309,893
Bearspaw Service Centre		**1,107,189**		1,214,191
Bearspaw Kananaskis Travel Centre - Husky Dealer Incentive		**470,833**		-
	$	**2,672,419**	$	2,349,085

13. Contributed surplus

In the 2022 fiscal year the entity received contributions totaling $1,757,404 from the Bearspaw Settlement Trust in order to purchase Clearwave Broadband Networks Inc.

14. Contingent liabilities

The Stoney First Nations, which includes the Bearspaw First Nation, has been named as defendant in certain legal proceedings. The First Nations are actively defending all lawsuits. Since the amount of loss, if any, cannot be reasonably estimated, no provision has been recorded in these financial statements. Should a loss be incurred, it will be expensed in the year the liability is determined.

15. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. These risks, which have remained unchanged from the prior year, include:

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The entity’s exposure to liquidity risk relates to accounts payable and accrued liabilities, loan payable, amounts due to related parties and long term debt and arises from the possibility that the timing and amount of its cash inflows will not be sufficient to enable it to meet its financial obligations as they become due. Management believes this risk is minimized through continuous monitoring of its cashflow and working capital.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's exposure to credit risk relates to accounts receivable and amounts due from related parties and arises from the possibility that a debtor does not fulfil its obligations. Management believes this risk is minimized through its monitoring of aged accounts receivables. The entity performs continuous evaluation of its financial assets and records impairment in accordance with the stated policy.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is exposed to market risk as follows:

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The entity's interest-bearing financial instruments include fixed rate term deposits, loan payable and long-term debt. The fair values of fixed rate financial instruments fluctuate as market rates of interest change. The entity does not employ derivative financial instruments to hedge its exposure to interest rate risk.